

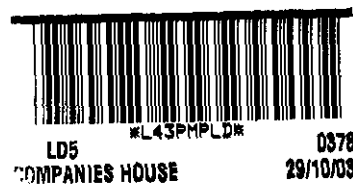
Company Registration No. 3870728

**EDF Energy Networks Limited** *(Formerly 24 Seven Utility Services Limited)*

**Report and Financial Statements**

**31 December 2002**

40 Grosvenor Place,  
Victoria,  
London SW1X 7EN



**REPORT AND FINANCIAL STATEMENTS 2002**

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## **EDF Energy Networks Limited** *(formerly 24 Seven Utility Services Limited)*

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

#### **Principal Activity**

The principal activity of EDF Energy Networks Limited is utility infrastructure management.

#### **Business review**

On 18 January 2002, London Electricity Group plc acquired the other 50% of the share capital of the Company.

On 30 June 2003, the Company changed its name to EDF Energy Networks Limited. On the same day London Electricity Group plc changed its name to EDF Energy plc.

On 29 July 2003, the Company acquired the assets, liabilities and outstanding contracts of EDF Energy (Contract Services) Limited (formerly known as 24 Seven Contract Services Limited), its only wholly owned subsidiary, at book value (see note 20).

Details of financial commitments of the Company are shown in note 16.

#### **Ultimate holding company**

The company's immediate holding company is EDF Energy plc. The ultimate holding company is Electricité de France ("EDF"). Copies of EDF's accounts may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

#### **Creditors payment policy**

The Company's current policy concerning the payment of the majority of its trade creditors and other suppliers is to:

- settle the terms of payment with those creditors/suppliers when agreeing the terms of each transaction;
- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2002 the company had an average of 51 days purchases outstanding in its trade creditors.

#### **Employee involvement**

The Company keeps its employees informed on matters affecting them relating to the EDF Energy plc Group. This is carried out in a number of ways, including formal and informal briefings, departmental meetings and regular reports in a staff newspaper and newsletters and company intranet on current activities and progress.

#### **Equal opportunities**

The Company is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, marital status, disability, race, colour, nationality or ethnic origin. The Company provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability.

#### **Results and dividends**

The profit for the year after taxation was £17,257,000 (2001 restated— £12,476,000). The directors recommend the payment of a first and final dividend of £14,493,000.

## **DIRECTORS' REPORT**

### **Directors and their interests**

The directors of the company who served throughout the year, except as noted, were as follows:

David George Jefferies (resigned 1 April 2003)  
Ian Roger Beament (resigned 1 April 2003)  
Gerald Langdon Wingrove (resigned 30 September 2002)  
Bernard Cottrant (appointed 18 January 2002), (resigned 1 April 2003)  
Vincent de Rivaz (appointed 7 February 2002)  
Philip George Turberville (resigned 18 January 2002)  
Paul Colin Marsh (resigned 18 January 2002)  
Homer Jarrell Gibbs (resigned 18 January 2002)  
Bruno Jean Lescoeur (resigned 7 February 2002)

In addition, Paul Cuttill was appointed on 10 March 2003, Humphrey Cadoux-Hudson was appointed on 1 April 2003, Michael J Pavia was appointed on 1 April 2003 and subsequently resigned on 25 June 2003.


No director has any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

### **Auditors**

On the 31 July 2002 Arthur Andersen resigned as auditors and the directors appointed Deloitte & Touche to fill the casual vacancy.

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

Approved by the Board of Directors  
and signed on its behalf by:



Robert Higson  
Company Secretary

24 October 2003

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
EDF Energy Networks Limited (formerly 24 Seven Utility Services Limited)**

We have audited the financial statements of EDF Energy Networks Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

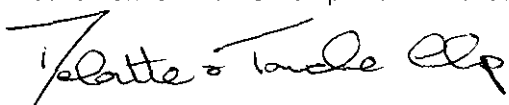
**Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

24/10/03

**EDF Energy Networks Limited** *(formerly 24 Seven Utility Services Limited)*

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2002**

	Note	2002 £000	2001 restated £000
Turnover	1	394,199	311,364
Cost of sales		(314,219)	(242,908)
<b>Gross profit</b>		<b>79,980</b>	<b>68,456</b>
Other operating expenses		(60,251)	(51,908)
<b>Operating profit</b>		<b>19,729</b>	<b>16,548</b>
Net interest receivable	2	4,074	2,798
<b>Profit on ordinary activities before taxation</b>	3	<b>23,803</b>	<b>19,346</b>
Tax on profit on ordinary activities	5	(6,546)	(6,870)
<b>Profit on ordinary activities after taxation and profit for the year</b>		<b>17,257</b>	<b>12,476</b>
Equity and non equity dividends proposed	6	(14,493)	(9,952)
<b>Retained profit</b>	15	<b>2,764</b>	<b>2,524</b>

The profit and loss account for 2001 has been restated for the adoption of FRS 19 (see note 13).

All the company's activities were derived from continuing operations in the year.

**EDF Energy Networks Limited** *(formerly 24 Seven Utility Services Limited)*

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 2002**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>restated</b>
		<b>£000</b>
Profit for the financial year	2,764	2,524
Prior year adjustments	1,084	
<b>Total recognised gains and losses since last annual report and financial statements</b>	<b>3,848</b>	

The statement of total recognised gains and losses for 2001 has been restated for the adoption of FRS 19 (see note 13).



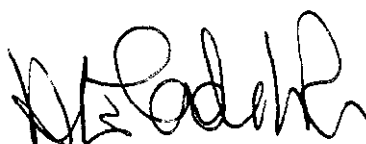
**BALANCE SHEET**  
**31 December 2002**

	Note	2002 £000	2001 restated £000
<b>Fixed assets</b>			
Tangible assets	7	19,546	20,725
Investments	8	-	-
		<hr/> 19,546	<hr/> 20,725
<b>Current assets</b>			
Stocks	9	3,824	4,797
Debtors: due within one year	10	188,133	178,174
due after one year	10	14,163	23,370
Cash at bank and in hand		-	518
		<hr/> 206,120	<hr/> 206,859
<b>Creditors: amounts falling due within one year</b>	11	(176,431)	(182,035)
		<hr/> 29,689	<hr/> 24,824
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>		<hr/> 49,235	<hr/> 45,549
<b>Creditors: amounts falling due after more than one year</b>	11	(4,843)	(6,351)
<b>Provisions for liabilities and charges</b>	12	(4,837)	(2,407)
		<hr/> 39,555	<hr/> 36,791
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	14	2,000	2,000
Share premium account	15	28,000	28,000
Profit and loss account	15	9,555	6,791
		<hr/> 39,555	<hr/> 36,791
<b>Shareholders' funds</b>	15		
		<hr/> <hr/> 39,555	<hr/> <hr/> 36,791
Attributable to equity shareholders		39,555	36,791
Attributable to non equity shareholders		-	-

The balance sheet for 2001 has been restated for the adoption of FRS 19 (see note 13).

The financial statements on pages 5 to 21 were approved by the Board of Directors on 24 October 2003 and signed on its behalf by:

  
Paul Cuttill  
Director

  
Humphrey Cadoux-Hudson  
Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**1. Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

During the period, the company adopted FRS19, Deferred Tax. This has resulted in an adjustment to the results of the company for the year ended 31 December 2001. Accordingly, prior year results have been restated (see note 13).

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**Group Accounts**

As a wholly owned subsidiary of EDF Energy plc, a company incorporated in England, which prepares consolidated financial statements, the company is exempt from the obligation to prepare group accounts. These financial statements give information about the company as an individual undertaking and not about its group.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Plant and machinery	5 years
Office equipment, fixtures and fittings	5 years
Computer equipment	5 years

Assets are depreciated from the first full month after purchase or completion of construction.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

**Stock**

Stocks are stated at the lower of cost and net realisable value. Cost represents direct materials and labour and production overheads based on normal levels of activity. Net realisable value is based on estimated selling price less all further costs to completion and all relevant selling and distribution costs. Provision is made for obsolete, slow moving or defective items as appropriate.

**Long-term contracts**

Amounts recoverable on long-term connections contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**1. Accounting policies (continued)**

**Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted by the balance sheet date.

The taxation liabilities of the company are reduced wholly or in part by the surrender of losses by fellow group companies for nil consideration.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Pension costs**

The company's pension contributions are defined by the EDF Energy plc Group and are fully expensed to the profit and loss account so as to spread the cost of provisions over employee's working lives with the company. The capital cost of ex-gratia and supplementary pensions is charged to the profit and loss account in the accounting period in which they are granted.

The company is unable to identify its share of the group defined benefit pension fund's underlying assets and liabilities or of any surplus or deficit arising from actuarial revaluations, hence the contributions are accounted for as if it was a defined contribution scheme.

**Foreign currency**

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates on the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange prevailing at the period end or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

**Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

**Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Profit is recognised on long-term connections contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as the ratio of costs incurred to date to total expected costs, multiplied by the total contract value.

On long-term service contracts, revenue is recognised when it falls due, other than when the revenue is specifically in respect of work done or expenses incurred, in which case it is recognised in order to match the related costs.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**1. Accounting policies (continued)**

EDF Energy Networks Limited is entitled to recover costs from EDF Energy Networks (EPN) plc and EDF Energy Networks (LPN) plc incurred in respect of restructuring and rebranding incurred following the formation of the company in April 2000. Unrecovered costs at the balance sheet date are reported within debtors and are recoverable over a five year period ended 31 March 2005.

All of the company's turnover was generated within the United Kingdom. It is the opinion of the directors that the company's activities are confined to a single class of business, as described in the directors' report.

**Deferred income on fixed assets**

Deferred income on fixed assets represents income received under the Network Services Agreement to fund the acquisition of fixed assets and is credited to the profit and loss account to match the depreciation on the fixed assets.

**Cash flow statement**

Under the provisions of Financial Reporting Standard No.1 (Revised), the company has not presented a cash flow statement because its ultimate parent company has prepared consolidated financial statements which include the results of the company for the year and are publicly available.

**2. Net interest receivable**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
<b>Interest receivable and similar income</b>		
Bank interest	3,144	2,754
Interest on intercompany loans	946	70
	<hr/>	<hr/>
	4,090	2,824
<b>Interest payable and similar charges</b>		
Bank loans and overdrafts	(16)	(26)
	<hr/>	<hr/>
	4,074	2,798
	<hr/>	<hr/>

**3. Profit on ordinary activities before taxation**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	10,891	11,165
Auditors' remuneration:		
audit services	100	40
non audit services	47	57
Other operating lease rentals	10,961	9,133
	<hr/>	<hr/>
	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Other operating expenses (net) comprised:		
Distribution	26,511	18,396
Administration	33,740	33,512
	<hr/>	<hr/>
	60,251	51,908
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**4. Staff costs**

Particulars of employees (including executive directors) are as shown below:

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Employee costs during the year amount to:		
Wages and salaries	71,108	65,765
Social security costs	5,741	5,383
Pension costs	7,974	5,720
	<u>84,823</u>	<u>76,868</u>

The average monthly number of employees (including directors) was as follows:

	<b>2002</b>	<b>2001</b>
	<b>No.</b>	<b>No.</b>
Operations	972	1,130
Administration	1,170	957
	<u>2,142</u>	<u>2,087</u>

**Director's remuneration**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Redundancy/Severance	70	-
Emoluments	53	70
	<u>123</u>	<u>70</u>

The services of Messrs de Rivaz, Cottrant, Beament, Lescoeur and Wingrove were provided by EDF Energy plc and the services of Messrs Turberville, Marsh and Gibbs were provided by TXU Europe Group plc. No part of their remuneration is attributed to their services to EDF Energy Networks Limited, or charged to the company.

In the year one director (2001, one) received benefits under defined benefit pensions schemes.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**5. Tax on profit on ordinary activities**

The taxation charge is based on the profit for the year and comprises:

	<b>2002 £000</b>	<b>2001 restated £000</b>
Corporation tax at 30% (2001: 30%)	8,449	5,508
Adjustment in respect of prior period corporation tax	423	1,053
Total current tax	8,872	6,561
Deferred tax		
Origination and reversal of timing differences	(2,326)	309
Tax on profits on ordinary activities	6,546	6,870

The actual tax charge for the current and previous years differs from the amount calculated by applying the standard rate of UK corporation tax for the reasons set out in the following reconciliation.

	<b>2002 £000</b>	<b>2001 £000</b>
Profit on ordinary activities before tax	23,803	19,346
Tax on profit on ordinary activities at standard rate	7,141	5,804
<i>Factors affecting charge for the period:</i>		
Depreciation in excess of capital allowances	169	1,280
Expenses not deductible for tax purposes	2,221	(767)
Utilisation of tax losses, for nil consideration, from subsidiary undertaking	(1,082)	(809)
Adjustment to tax charge in respect of prior periods	423	1,053
Current tax charge for the year	8,872	6,561

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**6. Equity and non equity dividends proposed**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Equity		
final proposed of £2.25 per H ordinary share (2001 – nil)	2,246	-
final proposed of £2.25 per I ordinary share (2001 – nil)	2,247	-
Non-equity share		
final proposed of £25,000 per H preference share (2001 – £24,880)	7,500	7,464
final proposed of £8,333 per I preference share (2001 – £8,293)	2,500	2,488
	<u>14,493</u>	<u>9,952</u>

**7. Tangible fixed assets**

	<b>Plant and machinery £000</b>	<b>Office equipment fixtures and fittings £000</b>	<b>Computer equipment £000</b>	<b>Assets in course of construction £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 January 2002	13,943	3	22,067	2,740	38,753
Additions	223	154	5,500	3,835	9,712
Transfers	983	59	108	(1,150)	-
At 31 December 2002	<u>15,149</u>	<u>216</u>	<u>27,675</u>	<u>5,425</u>	<u>48,465</u>
<b>Depreciation</b>					
At 1 January 2002	8,977	-	9,051	-	18,028
Charge for the year	4,575	2	6,314	-	10,891
At 31 December 2002	<u>13,552</u>	<u>2</u>	<u>15,365</u>	<u>-</u>	<u>28,919</u>
<b>Net book value</b>					
At 31 December 2002	<u>1,597</u>	<u>214</u>	<u>12,310</u>	<u>5,425</u>	<u>19,546</u>
At 31 December 2001	<u>4,966</u>	<u>3</u>	<u>13,016</u>	<u>2,740</u>	<u>20,725</u>

**EDF Energy Networks Limited** (formerly 24 Seven Utility Services Limited)

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**8. Fixed asset investments**

The company holds an investment in the following subsidiary:

	Country of incorporation	Principal activity	Proportion of ordinary share capital held by the company
EDF Energy (Contract Services) Limited <i>Shares in subsidiary undertaking</i>	England	Maintenance utility infrastructure	100%

	2002 £	2001 £
Cost and net book value	<u>2</u>	<u>2</u>

**9. Stocks**

	2002 £000	2001 £000
Raw materials and consumables	<u>3,824</u>	<u>4,797</u>

The replacement cost of stocks held by the company at 31 December 2002 was not materially different to the amount at which they are stated in the financial statements.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**10. Debtors**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>restated £000</b>
Amounts falling due within one year:		
Trade debtors	6,986	82,806
Amounts recoverable on contracts	4,463	-
Amounts due from parent undertaking	96,798	-
Amounts deposited with parent undertaking	66,343	-
Amounts due from group undertakings	7,400	11,355
Deferred taxation	3,410	1,084
Loans to related parties	-	70,000
Other debtors	700	11,873
Prepayments	2,033	1,056
	<u>188,133</u>	<u>178,174</u>
Amounts falling due after more than one year:		
Amounts due from fellow group companies (prior year, related companies)	14,163	23,370
	<u>14,163</u>	<u>23,370</u>

The amounts deposited with the parent undertaking are in accordance with the group treasury policy and attract interest at an approximation to the prevailing market rate.

The amounts falling due after more than one year relate to expenditure incurred by the Company that is being reimbursed over the life of the Network Service Agreements.

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>restated £000</b>
The deferred taxation asset consists of the following amounts:		
Depreciation in excess of capital allowances	3,264	3,064
Pension fund prepayment	386	334
Other timing differences	(240)	(2,314)
	<u>3,410</u>	<u>1,084</u>

The directors have assessed, on the basis of all available evidence, that it is more likely than not that there will be sufficient taxable profits from which the future reversal of timing differences can be deducted.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**11. Creditors**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Bank overdraft	2,104	11,057
Trade creditors	23,997	16,511
Corporation tax	5,582	3,009
Other taxation and social security	3,456	2,621
Other creditors	4,538	9,414
Deferred income on fixed assets	1,508	1,508
Accruals and deferred income	120,753	127,963
Proposed dividends	14,493	9,952
	<u>176,431</u>	<u>182,035</u>

**Amounts falling due after more than one year:**

Deferred income on fixed assets	<u>4,843</u>	<u>6,351</u>
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Deferred income on fixed assets represents income received under the Network Services Agreement to fund the acquisition of fixed assets and is credited to the profit and loss account to match the depreciation on the fixed assets.

**12. Provisions for liabilities and charges**

	<b>Trading disputes</b>	<b>Claims</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2002	-	2,407	2,407
Utilised in the year	-	(614)	(614)
Arising during the year	1,000	2,044	3,044
	<u>1,000</u>	<u>3,837</u>	<u>4,837</u>
At 31 December 2002	1,000	3,837	4,837

The provision for trading disputes comprises disputes with customers that were unresolved at the year end. These disputes were resolved in 2003. The provision for claims covers existing and anticipated claims made against the company in the normal course of business.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**13. Prior year adjustments**

The adoption of FRS 19, Deferred Tax, has required changes in the method of accounting for deferred tax assets and liabilities. As a result of these changes in accounting policy the comparatives have been restated as follows:

	Deferred taxation £000	Profit and loss account £000	Shareholders funds £000
At 31 December 2001 as previously reported	-	5,707	35,707
Adoption of FRS19 at 1 January 2001	1,393	1,393	1,393
Adoption of FRS19 for the year ended 31 December 2001	(309)	(309)	(309)
At 31 December 2001 as restated	<u>1,084</u>	<u>6,791</u>	<u>36,791</u>
			<b>Tax on profit ordinary activities £000</b>
Year ended 31 December 2001 as previously reported			6,561
Adoption of FRS19 for the year ended 31 December 2001			309
Year ended 31 December 2001 as restated			<u>6,870</u>

The impact of adopting FRS19 on the 2002 results amounted to a reduction in Tax on Profits on Ordinary Activities of £2,326k due to the recognition of a deferred tax asset.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**14. Called up share capital**

	2002 £	2001 £
<b>Authorised</b>		
25,000,000 H ordinary shares of £1 each	25,000,000	25,000,000
25,000,000 I ordinary shares of £1 each	25,000,000	25,000,000
300 H preference shares of 33 <sup>1</sup> / <sub>3</sub> pence each	100	100
300 I preference shares of 33 <sup>1</sup> / <sub>3</sub> pence each	100	100
	<u>50,000,200</u>	<u>50,000,200</u>
<b>Allotted, called up and fully paid</b>		
1,000,001 H ordinary shares of £1 each	1,000,001	1,000,001
1,000,001 I ordinary shares of £1 each	1,000,001	1,000,001
300 H preference shares of 33 <sup>1</sup> / <sub>3</sub> pence each	100	100
300 I preference shares of 33 <sup>1</sup> / <sub>3</sub> pence each	100	100
	<u>2,000,202</u>	<u>2,000,202</u>

The preference shares carry an entitlement to a cumulative preferential dividend of the following amounts:

H preference shares	75% of the profit after tax every financial year*
I preference shares	25% of the profit after tax every financial year*

\*in this calculation profit after tax is limited to £10 million.

The company has the right to redeem the preference shares at any time for the sum of £1 each.

Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the payment in full of the preference share capital together with any arrears of dividends. They have no voting rights and are classified as non-equity interests.

**15. Shareholders' funds**

	Share capital £000	Share premium account £000	Profit and loss account £000	Shareholders' funds £000
At 1 January 2002 as previously reported	2,000	28,000	5,707	35,707
Prior year adjustment (see note 13)	-	-	1,084	1,084
At 1 January 2002 as restated	2,000	28,000	6,791	36,791
Retained profit for the period	-	-	2,764	2,764
At 31 December 2002	<u>2,000</u>	<u>28,000</u>	<u>9,555</u>	<u>39,555</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**16. Financial commitments**

Capital commitments are as follows:

	2002 £000	2001 £000
Contracted for but not provided for	558	581

Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiry date				
within one year	-	1,940	110	1,846
between two and five years	3,828	3,355	4,043	3,435
After five years	-	18	-	975
	3,828	5,313	4,153	6,256

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

**17. Pension arrangements**

**(a) Pension schemes**

Employees of the company participate in two pension schemes. 148 employees (2001 – 173) participated in a defined contribution arrangement, a Group Personal Pension Plan (GPPP) set up by the company. This is the only pension scheme available to new employees.

1,952 employees (2001 – 2,166) employees are members of funded defined benefit arrangements, namely the London Electricity Group segment of the industry-wide Electrical Supply Pension Scheme (ESPS). The ESPS provides pension and other retirement benefits based on the final pensionable pay of employees.

**(b) SSAP 24 - Accounting for pension costs for the ESPS**

The latest full actuarial valuation of the London Electricity Group's segment of the ESPS was carried out by Hewitt Bacon & Woodrow, consulting actuaries, as at 31 March 2001. The valuation method adopted was the projected unit method. At 31 March 2001 the market value of assets was £1,089 million, which represented 118.0% of the actuarial value of the accrued benefits.

The company is unable to identify its share of the assets and liabilities of the group scheme on a consistent and reasonable basis. In addition, the level of contributions is determined by the parent company, and as a result the contributions to the scheme are accounted for as if it were a defined contribution scheme. Therefore the company does not recognise an asset as a result of the surplus above.

The employer's pension cost in relation to the ESPS amounted to £7,660,210 (2001 - £6,109,577).

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**17. Pension Arrangements (continued)**

The principal assumptions used to assess the long-term ongoing funding target under SSAP24 are set out below.

	%pa
Discount rate	6.0
Inflation rate	2.4
Increase to pensions	2.6
Increase to deferred benefits	2.6
Salary increases	3.4

**(c) SSAP 24 - Accounting for pension costs for the GPPP**

The employer's pension cost in relation to the GPPP amounted to £297,742 (2001 – £244,867).

**(d) FRS17 - 'Retirement benefits'**

The assets of the ESPS scheme are held in a separate trustee administered fund and for the purposes of FRS17 it is not currently possible to identify the company's share of these assets. However, the deficit of the entire London Electricity Group segment is shown below.

London Electricity Group of ESPS	2002 £m	2001 £m
Equities	629	744
Bonds	296	248
Total market value of assets	925	992
Defined benefit obligation (DBO)	(1,128)	(895)
(Deficit)/surplus in scheme	(203)	97
Reserve for future benefit improvements	(10)	(45)
Deferred tax asset/(liability)	64	(18)
Net pension (liability)/asset	(149)	34

**18. Controlling parties**

On 18 January 2002, London Electricity Group plc acquired the remaining 50% of the share capital of the Company from TXU Europe plc. On that date the ultimate controlling party became Electricité de France, a state owned company of France. This is the largest group for which consolidated accounts are prepared. Copies of that company's consolidated accounts may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

The Company's immediate parent is EDF Energy plc. EDF Energy plc, a company incorporated in the United Kingdom, leads the smallest group in which the results of the company are consolidated.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**19. Related party transactions**

The members of TXU Europe group are deemed to be related parties by virtue of the fact that the company was jointly controlled by TXU Europe plc and London Electricity Holdings plc until 18 January 2002. During the year the company made the following transactions with the TXU Europe group:

	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
Sales	6,095	125,799
Purchases (included within Other Operating Expenses)	6,107	4,406
 Balances due to the company at the year end	-	98,546
Balances owed by the company at the year end	-	(1,654)
	<hr/>	<hr/>
	-	96,892
	<hr/>	<hr/>

As a wholly owned subsidiary the company has taken advantage of the exemption under FRS 8, Related Party Disclosures, and has not disclosed related party transactions with fellow EDF Energy plc group members that occurred after 18 January 2002. However, sales of £5,212,404 (2001 full year, £96,761,180) and purchases of £247,568 (2001 full year, £10,962,951) occurred prior to this date.

**20. Subsequent Events**

On 29 July 2003, EDF Energy (Contract Services) Limited, a wholly owned subsidiary of the Company ceased trading. All of the assets, liabilities, commitments and remaining contracts of EDF Energy (Contract Services) Limited were acquired by the Company at book value. On that date, EDF Energy (Contract Services) Limited had net liabilities of £9.4m.